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RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
RHEHNSC/NSC WASHDC PRIORITY

C O N F I D E N T I A L SECTION 01 OF 02 BEIRUT 000811

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STATE PASS USTR,
NSC FOR ABRAMS/DORAN/WERNER/SINGH

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TAGS: FFIN ECON ETRD EINV LE IR

SUBJECT: MGLE01: A BUSINESSMAN'S VIEW OF LEBANESE-IRANIAN
PRIVATE SECTOR ACTIVITY

Classified By: Charge d'Affaires Christopher Murray. Reason: Sections
1.4 (b) and (d).

¶1. (C) SUMMARY. On March 15, Econoff met with Mohamed Maktabi, the owner of a chain of high-end Persian carpet stores in Lebanon and the Gulf and a frequent traveler to Tehran, to discuss Lebanese-Iranian commercial relations. Maktabi told us he had noticed "no changes on the ground" regarding recent private sector activity between Lebanon and Iran. According to Maktabi, Lebanon's main imports from Iran consist of carpets, pistachios, tobacco for water pipes, marmalades and jams, and plastic plates and tableware. He said trading with Iran was unpredictable and difficult as rules and regulations frequently change. Trade shows based in Tehran can change dates without notice. While Maktabi has not seen an increased presence of Iranian businessmen in Lebanon, he does acknowledge that there is a "hunger" in Iran for modern imported products, and he has noticed an increased Iranian presence in industrial trade with Turkey and financial exchanges in Dubai. END SUMMARY.

LEBANESE IMPORTS CONSIST OF
CARPETS, FOODSTUFFS, AND PLASTIC PRODUCTS

¶2. (C) Maktabi told Econoff that Lebanon's primary imports from Iran consisted of carpets, pistachios, tobacco for water pipes, marmalades and jams, and plastic plates and tableware. Iranian goods are common in supermarkets in the southern suburbs of Beirut, and the largest contingent of Lebanese visitors at Iranian trade fairs comes from these same suburbs. Maktabi is a frequent flyer on the weekly Iran Air flight between Beirut and Tehran, and he said he has not noticed any changes in the make-up of the passengers on these flights, with the same steady mix of carpet dealers, religious pilgrims, and tourists.

TRADING WITH IRAN IS
UNPREDICTABLE AND DIFFICULT

¶3. (C) Maktabi goes to Iran to purchase high-end and custom-designed Persian carpets. He said trading with Iran can often be unpredictable and difficult as rules and regulations change frequently. Many years ago, there was a 20 percent tax on the exports of Iranian carpets; this tax was later reduced to seven percent. Maktabi just learned of a new export promotion program in Iran that promises to offer financial incentives to large exporters; he has asked his agent in Tehran about details of this program, but the agent

has yet to see any refunded money. Maktabi told Econoff that he was once interested in importing Iranian rice. He inquired about how he could obtain a license and was later told that he was unable to import the rice. He said that Iranian caviar is produced solely for the export market through an exclusive contract with a Swiss company known as Caviar House.

¶4. (C) According to Maktabi, the dates of trade fairs in Tehran frequently change and travel arrangements can be difficult. He used the example of a recent international carpet exhibition that was moved from downtown Tehran to an exhibition hall in the suburbs because of municipality concerns; he said the trade fair was moved back to the original location at the last minute, causing numerous logistical problems. Maktabi said international exhibitions in Iran are often poorly run; by contrast, Pakistani carpet exhibitions are much better run and well-attended because of coordination among the vendors, the hotels, and the shipping companies.

FINANCIAL TRANSACTIONS
GO THROUGH BANK SADERAT

¶5. (C) Maktabi said that all of his financial transactions with Iranian companies went through Bank Saderat. He said that his funds were wired from Lebanon to Switzerland before arriving in Iran. He said most Lebanese businessmen who have commercial relations with Iran deal with Bank Saderat, but he also said that big exchange companies in Dubai were starting to take the place of Iranian commercial banks in business exchanges. Maktabi said that Dubai has increasingly

BEIRUT 00000811 002 OF 002

benefited from its strong economic ties and close proximity to Iran.

¶6. (C) When Econoff asked Maktabi if his firm had seen profits increase recently as a result of the petroleum boom in the Gulf States, he said that profits were up, but not as much as expected. He said that sales in his Saudi Arabia outlet were only marginally higher. He said that he had wondered why Gulf customers were not buying more carpets. He was told that wealthy Arabs were still spending a large part of their disposable income on the Gulf stock markets.

IRANIANS COULD OFFER CHEAP PETROLEUM
AND RAW MATERIALS TO LEBANON

¶7. (C) When Econoff asked Maktabi how Iran could increase its commercial ties with Lebanon if it so desired, he said that the Iranians could offer cheap petroleum and cheap raw materials such as steel to the Lebanese, but he did not foresee any significant increased private sector activity between Iran and Lebanon. Maktabi said that perhaps there has been some increased government to government cooperation or possibly increased cooperation between Iranian leaders and Hizballah leaders, in response to Econoff's question about the uptick in visits of Iranian ministers to Beirut in recent months. He added that he did not deal in "political issues," but in his area of expertise, commercial issues, he had not noticed any new trends in recent months. He said he would "feel it" if there were increased Iranian economic activity in the southern suburbs of Beirut.

IRANIAN CONSUMERS
SEEK MODERN IMPORTS

¶8. (C) According to Maktabi, there is a strong "hunger" in Iran for new ideas and modern imports. The desire for consumer goods reminded him of Soviet Russia, although he said the Iranian market was not as closed as the Soviet system had been. He said Iranian manufacturing was not very

innovative, and Iranians were highly desirous of foreign goods such as imported lighting and hardwood floors for their houses. Maktabi has noticed increase industrial trade between Iran and Turkey.

¶9. (C) Maktabi said that the December 2005 Iranian Trade Fair at the Biel Center in Beirut was a "fiasco," due to the fact that there were three Iranian trade fairs in Lebanon in the last year. All had presented themselves as the "official" Iranian trade fair for Lebanon, which added to the confusion among exhibitors and local businessmen. Maktabi said that only a "fraction" of the normal amount of exhibitors showed up for the fair and that there was "nothing new" to show, as vendors focused on carpets, plastic products, and foodstuffs.

MURRAY